

TAXES

Senate Corporate Tax Bill Still Stymied by Lack of Agreement on Amendments

Harkin still wants a vote on his overtime pay measure and Cantwell may press for an extension of jobless benefits

By ALAN K. OTA, CQ STAFF WRITER

Senate Majority Leader Bill Frist, R-Tenn., and Minority Leader Tom Daschle, D-S.D., are expected to continue talks this week aimed at reaching a deal on amendments to the corporate tax overhaul bill.

GOP aides said further floor action on the measure (S 1637) would require a deal on amendments, after the Senate failed, by a 51-47 vote March 24, to win the 60 votes necessary to invoke cloture. Senate Republicans pulled the corporate tax bill after they were unable to circumvent debate on a pending Democratic amendment that would block a Bush administration plan to end overtime pay for some workers.

Democrats circulated a list of nine other amendments on which they are seeking votes, but did not rule out adding more items to the list. It included a proposal by Maria Cantwell, D-Wash., to extend unemployment compensation for six months.

Frist said March 25 that he thinks the bill will move forward in the Senate if the issue on amendments is resolved. "It's an important bill. We'll get it done," he said. "If we can get a reasonable number of germane amendments, we'll move ahead."

Frist declined to place a number on how many amendments he would accept: "I want a handful," he said.

GOP aides said Republican leaders were concerned that Democrats were trying to use the bill as a vehicle for unrelated partisan measures. Both sides say they are wary of the other because firm offers on amendments have not been made public.

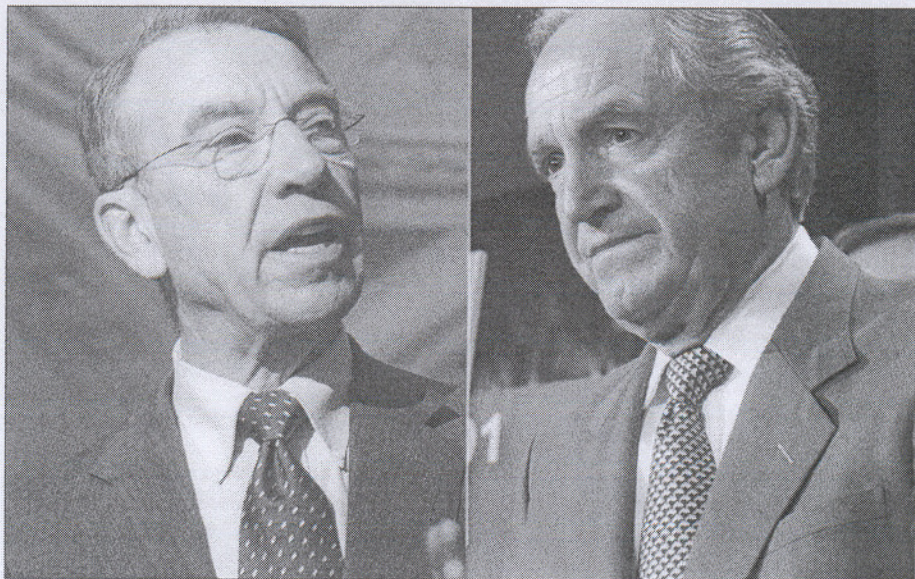
"The Democrats have sent out an e-mail with a list of amendments. But it is not a formal offer that's been given to the leadership. There is no agreement," said a GOP leadership aide.

Harkin Is Dug In

Senate Finance Chairman Charles E. Grassley, R-Iowa, said he was still hopeful that a deal could be cut on a short list of amendments this week.

Most of the attention was focused on Tom Harkin, D-Iowa, who remains adamant in demanding a floor vote on his overtime amendment.

A senior Democratic aide said Harkin's



Iowa's senators, Grassley and Harkin, are in different parties, and they are at odds on the corporate tax bill, too.

anger was rooted in the fact that he believes Republicans reneged on an informal offer to allow a vote on his amendment on the corporate tax bill. Even if Harkin wins such a vote, his proposal would face strong GOP opposition in conference. Republicans insist that Harkin was not formally offered a vote on his amendment on the bill.

Majority Whip Mitch McConnell, R-Ky., denied that he and other Republicans sought to block the amendment to prevent it from embarrassing the White House and his wife, Labor Secretary Elaine L. Chao, who is finalizing the overtime rule. "It's not just the Harkin amendment. It's linked to other things," he said.

In the House, a floor vote on its version of the corporate tax bill (HR 2896) has been indefinitely postponed while Ways and Means Chairman Bill Thomas, R-Calif., keeps an eye on Grassley's progress toward Senate floor action. "I have no time frame," Thomas said in an interview March 25. "He [Grassley] is the key. If the Senate works, and his bill goes, it's a much better climate."

Thomas has been trying to stave off efforts to strip tax breaks in his bill aimed at the overseas operations of multinational corporations, and has been pointing out that Grassley's bill also contains some provisions aimed at helping multinational companies.

Both chambers' versions of the bill aim

to repeal an export tax break that has been ruled a prohibited trade subsidy and to replace it with corporate tax cuts. On March 1 the European Union began imposing 5 percent duties on a range of U.S. goods. Those sanctions are set to increase each month unless the export break is repealed.

Negotiations With Manzullo

While Thomas awaits Senate action, both he and House Speaker J. Dennis Hastert, R-Ill., have been trying to work out an agreement with Donald Manzullo, R-Ill., leader of a group of 25 GOP lawmakers who have blocked the bill because they say it has too many tax breaks for the overseas operations of multinational corporations and not enough breaks for manufacturers.

On March 25, Manzullo had a brief chat with Thomas, and a one-on-one meeting in Hastert's office, though no deal was reached. Manzullo asked Hastert to include limited liability companies and S corporations in a plan to cut the tax rate for manufacturers from 35 percent to 32 percent.

He also asked Hastert to strip two other sections from Thomas' bill: tax breaks aimed at companies with overseas operations and an "earnings stripping" provision that would limit deductions for loan interest payments paid by U.S. subsidiary companies to their overseas parent companies. ♦